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CANADIAN M&A ACTIVITY 2003

Positive M&A Momentum Continues

The Canadian M&A market experienced renewed momentum in the last six months of 2003 after a weak performance in the first six months of the year, according to data released today by Crosbie & Company Inc., a mid-market investment bank. The total value of announced transactions in the second half of 2003 was \$55 billion, nearly double the \$28 billion in the first half, on a comparable number of deals. The second half improvement was driven by the return of the mega-deal (transactions over \$1 billion) with 8 mega-deals valued at \$33 billion, compared to only 4 mega-deals valued at \$6 billion in the first six months. The total number of announced deals in 2003 declined to 833 from 855 in 2002 and dollar volumes also fell to \$83 billion from \$91 billion.

Throughout 2003, the market continued to demonstrate strength in the mid-market segment (transactions below \$500 million), which recorded 573 deals totalling \$36 billion in 2003, a modest increase over the 549 deals totalling \$35 billion in 2002.

“The return of large strategic transactions in the second half of 2003 was a significant shift for an M&A market dominated by smaller divestitures of non-core assets in 2002 and the first half of 2003,” indicated Ian Macdonell, Partner at Crosbie & Company Inc. “We expect that the positive momentum in M&A will continue into 2004 supported by strong equity markets, a positive outlook for the economy and continued low interest rates.”

Financial Services and **Industrial Products** were the strongest sectors in terms of transaction value due mainly to Manulife's \$15 billion announced acquisition of John Hancock and Alcan's \$6.3 billion purchase of Pechiney SA, respectively. **Communications & Media** total deal value increased 88% to \$10 billion due to three mega-deals. Activity in **Oil & Gas** remained strong with 104 transactions, the same as last year, although dollar volume fell 58% to \$9 billion. **Real Estate** and **Gold & Silver** both recorded increases in transaction volumes but experienced dollar value declines of 18% and 57%, respectively. The **Utilities** sector was particularly hard hit as total transaction value declined to \$4 billion from \$17 billion and the number of transactions dropped to 40 from 56.

Cross border activity continued to play a significant role in the Canadian M&A landscape. With 8 of the year's 12 mega-deals having an international flavour, the dollar value of cross-border transactions increased 35% to \$62 billion up from \$46 billion in 2002, even though the total number of deals declined to 364 from 408. Canadian companies continued their buying spree of foreign companies, with 267 acquisitions totalling \$49 billion, more than double the number and value of foreign acquisitions of domestic companies. Almost \$28 billion worth of these acquisitions involved U.S. targets, a 152% increase from \$11 billion the prior year.

The information above is a summary of Crosbie & Company Inc.'s analysis of each quarter's M&A activity. The data is compiled from Mergers & Acquisitions in Canada, the most extensive database on M&A activity in Canada. Crosbie & Company Inc. provides specialized investment banking services to the mid-size corporate market.

For Further information or to subscribe to Mergers & Acquisitions in Canada, contact: Tilak Dias, Crosbie & Company Inc. (416) 362-7726 or visit www.crosbieco.com